2009 Summary Report

A WORLD OF OPPORTUNITY

nexen

STRATEGIES THAT DELIVER

Nexen's rich and diverse portfolio is focused on three growth strategies: Oil Sands, Conventional Exploration & Development and Unconventional Gas.

OIL SANDS

The Athabasca oil sands in northern Alberta is important to Nexen and the globe. Our strategy is to responsibly and economically develop our significant resource in phases to deliver stable future growth.

PROGRESS IN 2009

We made significant progress advancing each growth strategy in 2009. This positions us well for exciting value creation in 2010 and beyond.

OIL SANDS

At Long Lake, we brought the upgrader on stream, confirmed gasification works and completed a turnaround to improve reliability and operability. We continue to focus on ramping up bitumen production. To date we have produced more than two million barrels of Premium Synthetic Crude™.

CONVENTIONAL EXPLORATION & DEVELOPMENT

Our conventional exploration is focused in the North Sea, offshore West Africa and the deep-water Gulf of Mexico. Our strategy is to find and develop low-cost, high-quality oil and gas where we see good growth opportunities.

UNCONVENTIONAL GAS

Our unconventional gas resource is primarily shale gas in the Horn River Basin of northeast British Columbia. Our strategy is to drive down costs and grow our returns, so we can economically and responsibly produce this vast resource.

OIL SANDS

CONVENTIONAL EXPLORATION & DEVELOPMENT

UNCONVENTIONAL GAS

CONVENTIONAL EXPLORATION & DEVELOPMENT

In the North Sea, we made a discovery in the Golden Eagle area and are progressing development options. We found oil at Owowo, offshore West Africa. In the deep-water Gulf of Mexico, we are appraising Knotty Head and drilling Appomattox. In 2010, we expect to find more as we drill up to 15 wells.

UNCONVENTIONAL GAS

In the Horn River Basin, we improved equipment utilization, drilled longer wells, initiated more fracs and achieved an industry-leading frac pace. As we expand our programs, improve productivity and realize higher recoveries, we expect our shale gas returns to grow.

Nexen Inc.
A Canadian-based global energy company growing value responsibly

Enterprise Value:
Approximately $18 billion

Employees:
More than 4,000 worldwide; named employer of choice in Canada and the UK

Three Growth Strategies:
Oil sands, conventional exploration & development and unconventional gas

Opportunity Portfolio:
Almost 10 billion boe
85% oil; 15% natural gas

2009 Results:
Revenue: $5.8 billion
Cash Flow: $2.2 billion
Cash Flow per Share: $4.25
Net Income: $536 million
Net Income per Share: $1.03
Cash Netbacks: $38.55/boe

2009 Production before Royalties:
243 mboe/d
2009 Production after Royalties:
213 mboe/d

Reserves before Royalties at December 31, 2009
Proved: 1,011 mmboe
Probable: 1,217 mmboe

2010 Plan:
Capital Investment: $2.5 billion
Production before Royalties:
230–280 mboe/d
Production after Royalties:
200–250 mboe/d
Drill up to 15 exploration and appraisal wells

Ticker Symbol: NXY
Toronto Stock Exchange (TSX)
New York Stock Exchange (NYSE)

Closing Share Price on December 31, 2009
TSX: Cdn$25.22
NYSE: US$23.93

THIS IS NEXEN'S WORLD

Where we have enough resource to potentially replace proved reserves nine times over.

Where our industry-leading netbacks mean we don't need high oil prices to make great returns.

Where we build world-class assets and opportunity-rich careers.

Where our reputation is an asset, and our success is repeatable.

And where we safely and responsibly deliver energy to a world that needs it.

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Our employees once again chose us as one of the Top 50 Companies to work for in Canada. We are a recognized employer of choice in Canada and the UK.

NEXEN'S WORLD WHERE THE ENERGY OF OUR PEOPLE DRIVES OUR SUCCESS

Our people strategy supports us in moving talent throughout Nexen to match expertise with assets. This movement expands knowledge, helps retain talent and creates exciting careers.

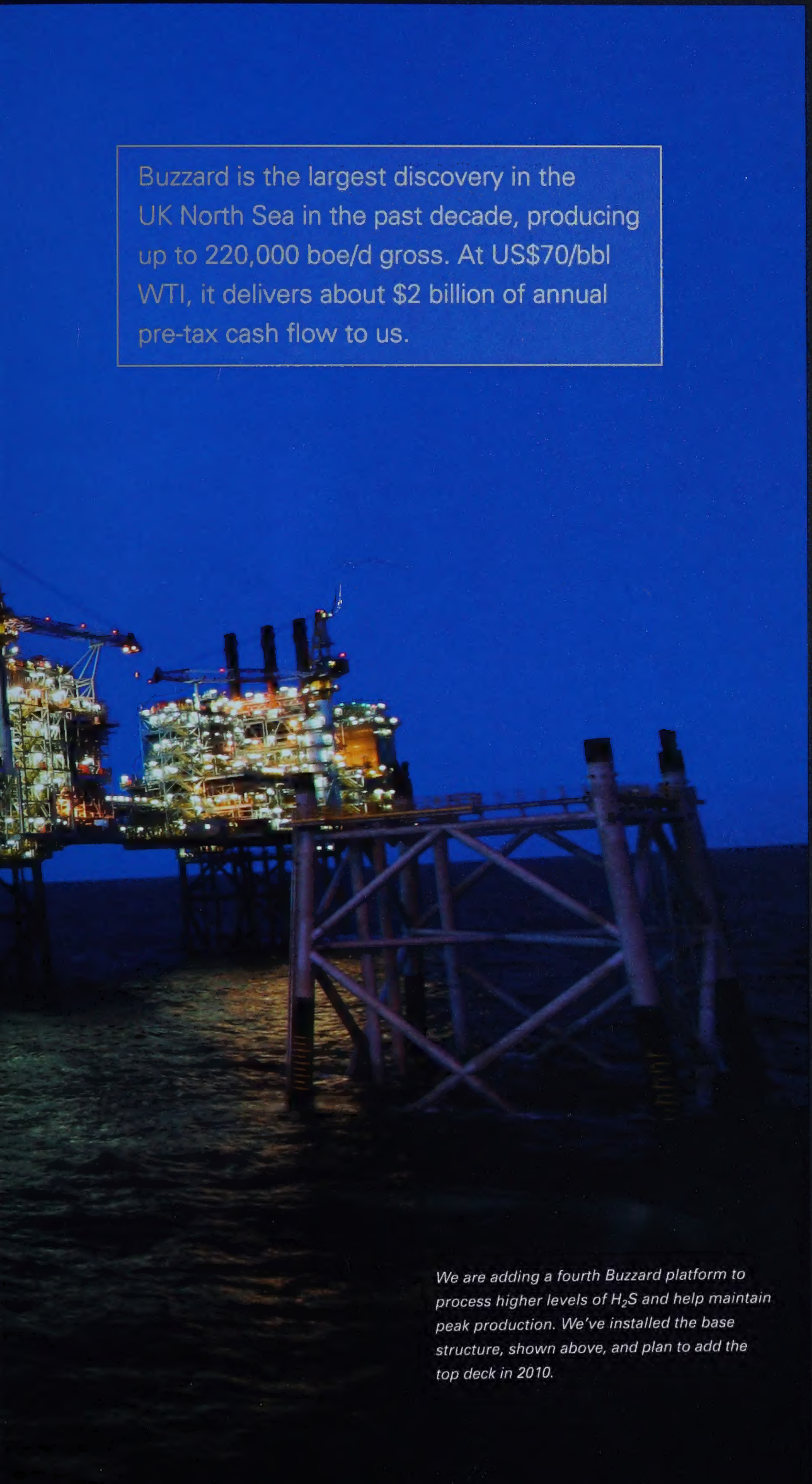
The world needs energy—not just from resource in the ground, but from the talented people who will deliver tomorrow's energy solutions.

At Nexen, we have some of the brightest minds around. Whether we are mastering stratigraphic traps in the North Sea, drilling wells 34,000 feet deep in the Gulf of Mexico, applying unique oil sands processes or rapidly advancing an emerging shale gas opportunity, our drive to excel is contagious.

We are willing to take on big projects and build the capacity to deliver. This takes courage and conviction, since the path is not always smooth and results aren't always immediate. Yet over time, we create legacy assets like Yemen and Buzzard that yield significant value.

Our rich opportunity portfolio means we can offer exciting careers. And the economic downturn has created an opportunity to hire more top-quality talent. We know that people are our greatest asset.

NEXEN'S WORLD WHERE SMART RISK-TAKING AND OPERATIONAL EXPERTISE REAP BIG REWARDS



We are adding a fourth Buzzard platform to process higher levels of H_2S and help maintain peak production. We've installed the base structure, shown above, and plan to add the top deck in 2010.

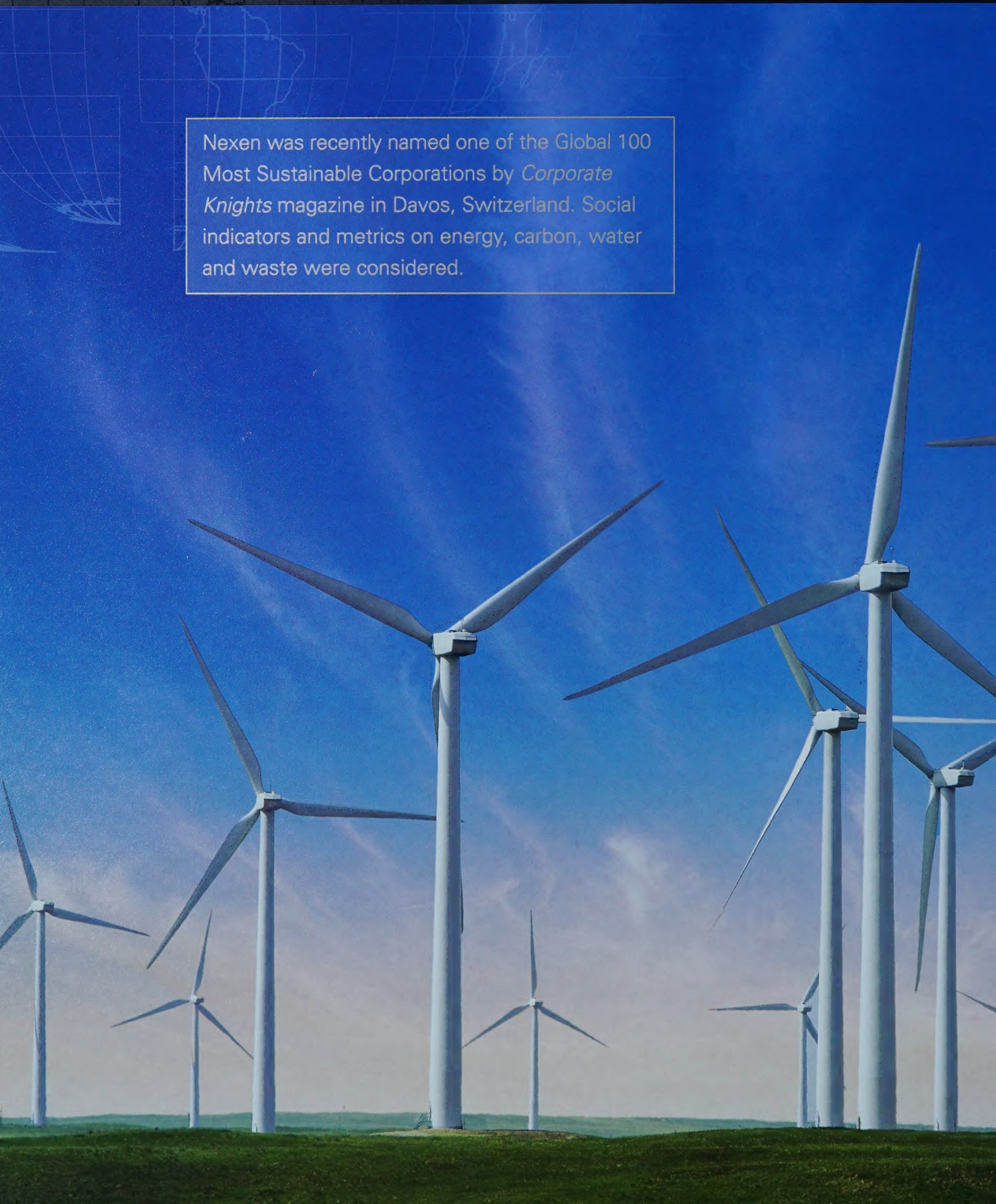
Nexen has been built on taking smart, calculated risks where we see opportunity for big rewards.

Take Buzzard. The price tag in 2004 for Buzzard and the North Sea assets represented 25% of our company value. Yet we had the financial capacity and saw the opportunity to build a world-class asset and grow its upside.

Buzzard paid for itself in just 18 months after first production. The team has unlocked over 50% more reserves since acquisition and extended the production plateau into 2014. Today we are the second largest oil producer in the UK North Sea.

With high netbacks, energy-efficient operations and an excellent safety record, Buzzard is an enviable model of success. It provides significant cash that we are re-investing in the North Sea, offshore West Africa, the deep-water Gulf of Mexico and our oil sands and shale gas resources to secure future growth. We're also applying our Buzzard expertise to other projects, including planned development of our Golden Eagle discoveries nearby.

Nexen was recently named one of the Global 100 Most Sustainable Corporations by *Corporate Knights* magazine in Davos, Switzerland. Social indicators and metrics on energy, carbon, water and waste were considered.



NEXEN'S WORLD WHERE RESPONSIBLE DEVELOPMENT OPENS DOORS TO NEW OPPORTUNITIES

Nexen is a 50% partner in the Soderglen wind farm in southern Alberta. In 2009, it produced enough green power to provide electricity for more than 23,000 homes.

Society expects the world's resources to be developed responsibly. We agree, and are doing our part.

In fact, we believe companies that integrate economic, environmental and social factors will deliver superior results long term and ultimately become the developer of choice.

Unconventional resources like the oil sands and shale gas require specialized technologies to extract them. This can add unique operational, environmental and social considerations. At Nexen, we examine all angles, including renewables like wind and geothermal. We choose technologies that are efficient, economic, and reduce our environmental impact. We incorporate the voices of Aboriginal and local communities into our plans. And we focus on safe, ethical operations. In 2009, Nexen's safety performance was our best ever.

The way we work creates opportunities. Our governance systems and culture of integrity help guide value-enhancing choices. We also gain access to resource, attract and retain top-quality talent and ultimately maintain our social licence to operate.

PRESIDENT'S MESSAGE

Marvin Romanow
President and Chief Executive Officer

ACROSS NEXEN, I SEE A WORLD OF OPPORTUNITIES

I see passionate, committed people advancing our three strategies. I see impressive accomplishments and a commitment to continuous improvement. And I see a company I believe in—one that offers significant opportunity for share price appreciation as we continue unlocking the value in our portfolio.

Marvin Romanow visits our new Ettrick facility in the North Sea.

Despite the decline in oil and gas prices in 2009, our strong netbacks helped generate $2.2 billion in cash flow and $536 million of net income.

	2009	2008	2007
Production before Royalties (mboe/d)	243	250	254
Production after Royalties (mboe/d)	213	210	207
Cash Flow from Operations [1,2] ($ millions)	2,215	4,229	3,458
Cash Flow per Share ($/share)	4.25	8.04	6.56
Net Income ($ millions)	536	1,715	1,086
Net Income per Share ($/share)	1.03	3.26	2.06
Cash Netbacks from Oil and Gas Operations [3] ($/boe)	38.55	60.64	43.22
Capital Expenditures, Including Acquisitions ($ millions)	3,497	3,066	3,401
Proved Reserves [4] (mmboe)	1,011	988	1,058
Proved + Probable Reserves [4] (mmboe)	2,228	2,036	1,964

1 *Defined as cash flow from operating activities before changes in non-cash working capital and other.*
2 *For reconciliation of this non-GAAP measure, please see our year-end press release dated February 18, 2010.*
3 *Defined as average sales price less royalties and other, operating costs and Yemen in-country taxes.*
4 *Represents our working interest before royalties using SEC rules. 2009 estimates are based on the average annual price held constant, with Long Lake reserves expressed as synthetic oil. Prior year estimates are based on December 31 prices held constant, with Long Lake expressed as bitumen.*

WORLD OF PROGRESS

This is an exciting time for Nexen and our shareholders. In 2009, we made discoveries in the North Sea and offshore West Africa and brought new production on stream in the North Sea and Gulf of Mexico. We achieved major milestones at our Long Lake oil sands project, which we're continuing to ramp up. And we advanced our capabilities in the Horn River shale gas play, with cost reductions and an industry-leading frac program. We also achieved our best-ever safety performance at Nexen.

Overall, we generated cash flow of $2.2 billion and net income of $536 million. Production before royalties averaged 243,000 boe/d and we expect to benefit in 2010 with full-year contributions from our new production. Production after royalties averaged 213,000 boe/d compared to 210,000 boe/d in 2008, as new low-royalty, high-margin production more than offset declines in higher-royalty production. Also, our proved reserves additions in 2009 were more than 200% of our annual production. So our proved reserves life index is a healthy 11 years.

We achieved all of this while weathering the biggest financial crisis in the last 80 years. Our financial position remained strong, fueled by industry-leading netbacks and solid financial liquidity that we built prior to the recession unfolding.

OUR CAPACITY TO THRIVE

Economic recessions can highlight the makings of a company. For us, it showcased important strengths.

First, our portfolio is high-quality. We continued to make money even at US$40 oil, with high-quality barrels in the North Sea spinning off strong cash flow and earnings.

[illegible] We aren't dependent on any one growth strategy, and we continued to advance all of them—oil sands, conventional exploration and development, and unconventional gas—making tangible progress in 2009. This positions us very well going forward.

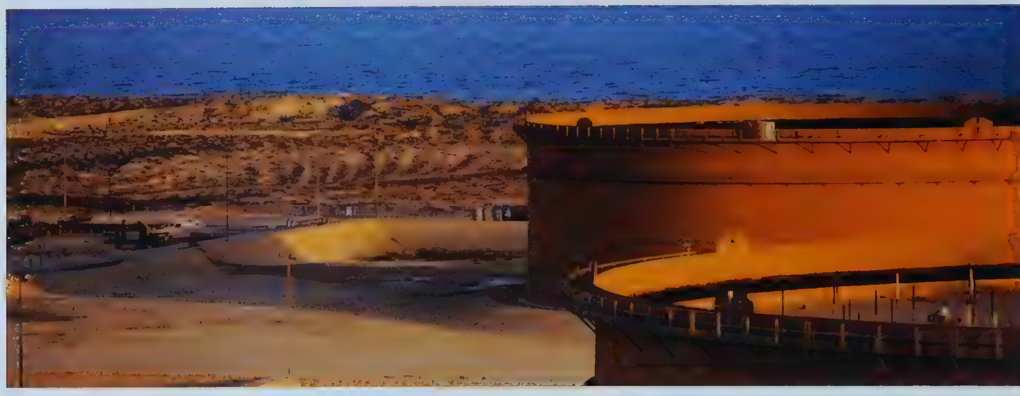
[illegible] We didn't panic or overreact. While some companies slashed their capital programs 30 to 40%, our balance sheet strength allowed us to continue investing in our future. We redirected capital to projects with lower break-evens and delivered attractive discoveries. We also didn't lock ourselves into low oil prices, and now are benefiting with oil above US$70/bbl.

[illegible] portfolio is focused on oil.

THE ENERGY BUSINESS IS SOUND

We believe in the long-term fundamentals of oil. Its price rally to US$147/bbl in 2008 was a signal that the world almost ran out of production capacity. As the economy recovers and global demand picks up, led by growth in developing countries, we expect that supply will once again be strained to meet demand. Healthy oil prices are positive for us, as 85% of our portfolio is focused on oil.

Natural gas has some challenging times ahead in the short term. With new shale gas opportunities in North America, the US Department of Energy estimates that the US alone has 100 years of natural gas resource. Not all of this will come on stream



[illegible] ment. Through more than a decade of safe [illegible] mendous value for all stakeholders, including local communities.

immediately or at current gas prices, and these are high-decline plays. Yet it emphasizes the importance of being a low-cost producer in a high-quality play.

Longer term, the fundamentals for natural gas are promising. Whenever you can produce an energy source that is affordable, plentiful and clean, demand will be there long term. That's what the world needs.

With both oil and gas prices, the key is not to try predict their path—which undoubtedly will be volatile—but to pursue high-quality projects that can deliver decent returns throughout the price cycles. That's what our strategies are designed to do.

THE RIGHT MIX

If you think about where future sources of energy will come from, we are in all the right places. We're in the oil sands, with a project that is transformational on many levels. We're building bench strength in shale gas—the future for the North American gas market. And we're in world-class conventional basins making discoveries that we can turn into value-generating production. Just look at our success in the UK North Sea, where in five years, we've gone from being a non-player to the second largest oil producer. And we're still growing.

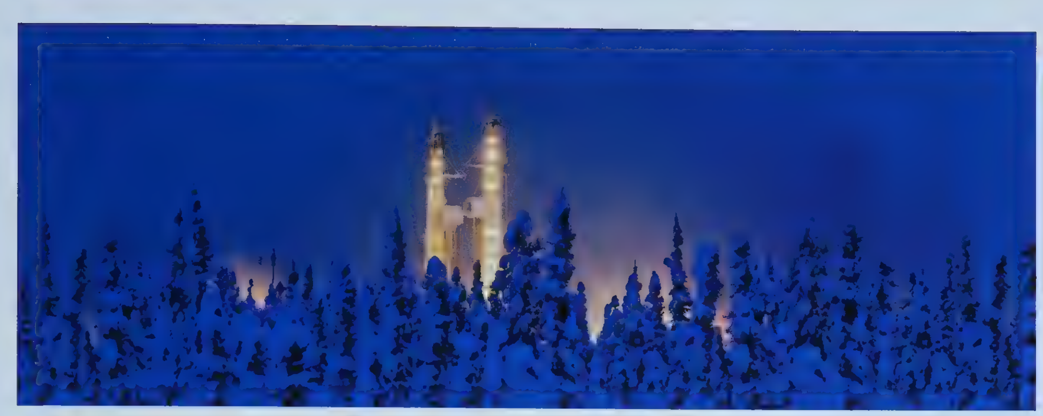
Each of our strategies alone can deliver material success. Together, they solidify a great future. We have enough resource to keep us busy for more than 70 years, according to a third-party research firm. In a world where access to resource is becoming increasingly difficult, our portfolio of almost 10 billion boe is a clear competitive advantage.

OUR STRATEGIES ARE DELIVERING

Let me highlight the progress we've made.

OIL SANDS At Long Lake, we achieved major milestones. We confirmed the gasification technology works. That is, we transform a waste product, which others throw away, into an energy source for steaming the reservoir and hydrogen for the upgrader. We also confirmed we can turn low-grade bitumen into the highest-quality synthetic crude oil in North America. And we're seeing the reservoir produce oil when we apply consistent steam.

Despite this progress, our ramp-up has been slower than we expected. We faced upgrader/SAGD integration challenges and water treatment issues, limiting the amount of steam available to inject into the reservoir. To address the issue, we completed a successful turnaround this past fall and are now producing record steam and bitumen levels. With more steam available, we can now bring more well pairs into circulation and production, which will continue to drive up bitumen rates over time.



The oil sands is our ticket to a steady stream of high-value, reliable, annuity-type cash flow for many decades to come. So it's important to take the time to get it right and develop it responsibly. Continued progress will not only confirm the value of Long Lake, it will unlock the value of our significant oil sands resource, which we expect to develop in many phases.

I am pleased that all the pieces of our Long Lake technology work, and I'm confident we will ramp up to full rates. I admire our employees who are willing to tackle the challenges in seeing this project through.

And yet, it is only one project in our portfolio. When fully ramped up, Phase 1 will represent approximately 15% of our total production. We have a lot more excitement in our portfolio.

CONVENTIONAL EXPLORATION & DEVELOPMENT generating material success. In 2009, we made discoveries at Hobby in the Golden Eagle area of the North Sea, and at Owowo, offshore West Africa.

The Golden Eagle area could be the industry's second largest discovery in the North Sea in the past decade. Buzzard is the largest. And our Owowo discovery, offshore West Africa, gives us confidence in follow-up drilling on our vast acreage.

These discoveries also demonstrate that our global exploration strategy is working. We are high-grading our portfolio by sharing technical expertise, ensuring consistent evaluation of prospects and then drilling the best wells company-wide.

In 2010, we are building on this success with an exciting lineup of up to 15 exploration and appraisal wells, primarily in the North Sea and deep-water Gulf of Mexico. Many are following up on prior discoveries, while others are targeting attractive new structures. We are currently appraising our Knotty Head discovery in the deep-water Gulf of Mexico and expect results in the second quarter. And we continue drilling in the highly prospective Eastern Gulf of Mexico with a sidetrack well to further evaluate the Appomattox prospect.

> These discoveries also demonstrate that our global exploration strategy is working.

We continue to progress the Usan development offshore West Africa for first production in 2012. And we are moving aggressively to prepare a development plan for the Golden Eagle area. Both are sizeable projects that will solidify our growth profile and unlock further value.

UNCONVENTIONAL GAS Our shale gas margins improving. Since we began activity in the Horn River Basin just three years ago, we're taking on bigger programs, longer wells, more fracs per well and getting more efficient each time. This is driving down unit costs and increasing our confidence that we can grow our returns.

ern Canadian producer to a vibrant global energy player
are proud of our roots and excited about our future

I am very pleased with how quickly we have advanced here. In addition to building talent internally, we have drawn on outside expertise to expand our knowledge and drive down costs. We're delivering industry-leading frac programs and are well on our way to earning a 10% rate of return with gas prices in the US$5 to $6/mcf range.

Now we're seeing the super majors buy into this space—which, to date, has been developed largely by the independent energy companies. This is more tangible evidence that the future for shale gas is huge.

We are working together with other producers, governments and First Nations to responsibly develop this resource, share infrastructure and reduce our environmental footprint. The Horn River Basin Producers Group, which includes Nexen, recently received an award from the Canadian Association of Petroleum Producers for its collaborative multi-stakeholder approach. From transparent communications to responsible operations, how we work matters and is creating value.

CREATING OUR FUTURE

In 2010, we plan to invest $2.5 billion in capital programs. In addition to ensuring safe and reliable operations of our core producing assets, we will continue to advance these priorities:

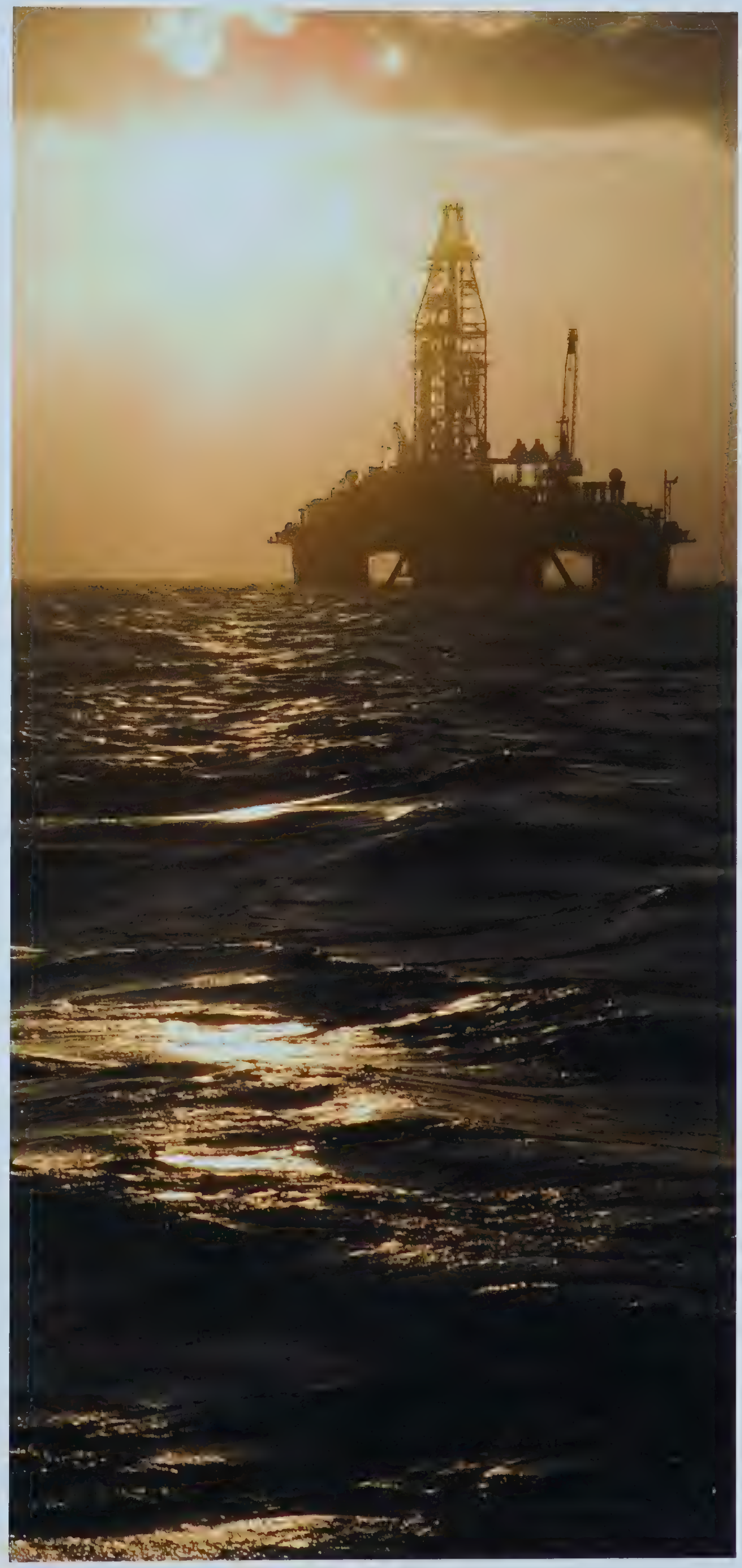
- keep the Usan development on track;
- prepare development plans for our Golden Eagle discoveries;
- ramp up Phase 1 of Long Lake;
- progress shale gas, further reducing our costs; and
- find more oil and gas in our core areas.

Usan is less than two years away from first oil. The Golden Eagle area could come on stream in 2014. Long Lake is ramping up and is designed to provide 40 years of stable production. Shale gas will complement our conventional growth with enough land to support the drilling of 500 to 700 wells. And our discoveries at Owowo, Vicksburg and Knotty Head plus exciting exploration under way add to this. As you can see, we are unlocking significant value.

Since becoming CEO last year, I doubled my personal investment in Nexen because I see great upside. I believe in our people, our assets and our capacity to deliver outstanding results.

We know what we need to do to deliver on our priorities—concentrate on the inputs we control. We will continue focusing our people and capital on our highest-quality opportunities.

Nexen has a long history of creating value and we are well positioned to repeat this.



We will maintain our financial capacity to grow. And we will ensure that how we work—safely and responsibly—remains a priority and a competitive advantage.

Over the past year, we have continued to receive awards for our high-quality disclosure, sound governance, strong community consultation, environmental stewardship and efficient supply management. These awards confirm what we are doing well and highlight where we can improve. Most important, they reflect factors fundamental to our success in the short and long term.

I thank our long-term shareholders who support us. I also thank our board for its continued strategic guidance, our management team for their aligned focus and the 4,000 employees who drive our success. Together we are delivering energy to the world and value to our shareholders.

Marvin Romanow
President and Chief Executive Officer

STRATEGIES IN ACTION

The Athabasca oil sands is the world's second largest hydrocarbon basin. So to be a world energy player, we believe it is key to be a responsible leader in the oil sands.

In addition to Long Lake, we have about 6 BILLION BARRELS of recoverable contingent resource for future phases and our 7.23% INTEREST IN SYNCRUDE.

Our unique integrated process at Long Lake is expected to generate a $10/BBL OPERATING COST ADVANTAGE, which grows as gas prices rise.

We minimize our environmental footprint with SAGD wells that disturb LESS THAN 15% of the project surface area.

We responsibly manage our water. Our process is DESIGNED TO RECYCLE MORE THAN 90% of produced water.

The entire oil sands industry accounts for LESS THAN 5% of Canada's greenhouse gas emissions and LESS THAN 0.1% of global emissions.

OIL SANDS

Our strategy is to responsibly and economically develop our significant oil sands resource in phases to deliver stable future growth.

Our integrated steam-assisted-gravity-drainage (SAGD) technology and upgrading process is unique. It produces a synthetic gas, which significantly reduces our need to purchase natural gas and provides us a substantial margin advantage over competing technologies.

With Phase 1 of Long Lake on stream, we have produced more than two million barrels of the highest-quality synthetic crude in North America. Yet a project of this size and complexity takes time to ramp up. In 2009, we completed a turnaround that successfully improved reliability and operability of the SAGD facilities.

In 2010, we are focused on consistently steaming the reservoir, ramping up bitumen production and maximizing upgrader capacity utilization. Given our significant land position, we can replicate Phase 1 many more times, with each phase generating low-risk, steady production and cash flow for 40 years.

OIL SANDS

LONG LAKE

Our Long Lake technology is expected to produce a significant margin advantage over competing technologies.

GASIFICATION

We have been gasifying the bottom of the barrel since late 2008. We are using syngas to generate steam and power for our SAGD operations and hydrogen for the upgrader.

UPGRADER

All upgrader units are operational, including the thermal cracker and solvent de-asphalter. To date, we produced more than two million barrels of the highest-quality synthetic crude in North America.

RESERVOIR

The reservoir responds to consistent steaming. In 2009, our SAGD production was limited by facility-related water treatment issues, which we addressed in a successful turnaround this past fall.

Jim Arnold
Senior VP, Synthetic Crude

TURNAROUND SUCCESS

Improvements to our surface facilities are allowing us to increase the amount of steam we can produce for injection into the reservoir. The more steam available, the more well pairs we can bring into steam circulation and then production. This is expected to bring our bitumen rates up and steam-oil ratios (SOR) down over time.

Now we are focusing on optimizing steam injection and individual well performance. For example, we have converted over 40% of our wells from gas lift to electrical submersible pumping and expect to have about 80% converted by year-end. This offers more flexibility to optimize steam injection and grow bitumen volumes.

POST-TURNAROUND PERFORMANCE

Here are our early yet encouraging results:

1. The reliability of substantially, driving current steam injection rates to record levels. We have a third steam train ready to come into service, which will give us more steam capacity to bring on more wells.

2. The reservoir steaming with increasing bitumen production. Prior to the turnaround, we were consistently steaming only about one-third of our 91 well pairs, leaving two-thirds cold. With more steam now available, we are better positioned to heat up the cold wells and convert them to production. As well-rates climb and new wells are converted, production is expected to continue growing.

especially in wells that are early in their ramp-up cycle. The all-in SOR, currently around 6.0, includes wells that are in steam circulation but not yet producing. We continue to expect the long-term SOR to be in line with our project design of 3.0.

turning this low-quality product into the highest-quality synthetic crude in North America.

THE RAMP-UP IN PERSPECTIVE

Long Lake's ramp-up performance has been slower than our initial forecasts. Our integrated SAGD and upgrader process is more complex than others. We also have the largest number of wells to bring on with our project. While it takes time to work through challenges that arise, we are confident that we will ramp up to full rates. Once Long Lake begins operating at a steady state, we expect to realize our $10/bbl margin advantage.

FUTURE PHASES

We also continue to pursue future phases of our vast oil sands resource. At Phase 2, we are moving ahead with engineering so we are ready when the time is right. In order to sanction it, we will require more operating history from Phase 1, clarity on carbon emissions regulations, finalized cost estimates and confidence in a sustained economic environment.

THE OIL SANDS OPPORTUNITY

As the world's conventional resources decline or become less accessible, the Athabasca oil sands resource gains importance. It is the world's second largest oil deposit and is strategically significant to North America's economic prosperity and energy security.

DEVELOPMENT CHOICES

When developing this vast resource, each oil sands project presents a unique combination of decisions regarding extraction methods, facilities and products. These decisions determine the impact each project will have.

The same is true for almost every activity that supports our modern standard of living. Whether it's choices made in our transportation infrastructure, our food chain or the development of energy, there is a range of economic, environmental and social impacts. Our approach to responsible development is to choose the best solution integrating all factors.

Operating in Alberta and Canada, we are subject to some of the most comprehensive environmental assessment and management regulations for large industrial facilities in the world. Performance reporting is detailed, transparent and publicly available. Some of it is independently verified.

OUR TECHNOLOGY ADVANTAGE

Our integrated process at Long Lake transforms low-value bitumen into the highest-quality synthetic crude in North America, extracting maximum energy from every bitumen barrel and managing our environmental footprint.

Using steam-assisted-gravity-drainage (SAGD) technology, we inject steam into the reservoir to reduce the viscosity of the bitumen so it can be pumped to the surface. The unique part of our process occurs during upgrading. Through gasification, we convert a waste product (asphaltenes) into hydrogen for the upgrader and synthetic fuel for our steam and power generation operations. This fuel makes us almost entirely energy self-sufficient, reducing our need to purchase natural gas and creating a significant margin advantage over competing technologies.

LESS LAND DISTURBED

SAGD technology reduces the surface footprint and leaves sand and clay in the ground, so we don't create tailings ponds. Drilling multiple wells from each pad further reduces surface impact. And because of our gasification process, we do not need to store or transport coke, as required by regulation for those who do not gasify.

RESPONSIBLE WATER MANAGEMENT

Water, while plentiful in Northern Alberta, is a finite resource. We designed Phase 1 to recycle more than 90% of the water and to use non-potable groundwater.

After integrating learnings from our first year of operations, we identified opportunities to better manage our operations and protect regional watersheds by using both recycled, non-potable and surface water sources, including new storage capacity. We are now seeking stakeholder input on our proposed new water source project.

In total, the oil sands lie beneath less than [illegible] of Canada's vast boreal forest. To date, less than one-tenth of 1% of the Canadian boreal has been disturbed by oil sands operations.

ADDRESSING AIR AND CARBON EMISSIONS

Our integrated process brings advantages in the short and long term. With SAGD, emissions of Volatile Organic Compounds (VOCs) are significantly lower than with competing technologies as bitumen is not exposed to air when it is extracted. Oxides of Nitrogen (NOx) emissions are also lower as we do not need a large fleet of trucks and shovels. Requirements for sulphur recovery apply to all upgraders and are among the world's most stringent.

The carbon intensity of our Premium Synthetic Crude™ is higher due to our facility integration and energy self-sufficiency. However, because we produce the highest-quality synthetic crude, less energy is required in the refining process. This means fewer emissions downstream.

In subsequent phases, gasification could generate a high-pressure, pure stream of carbon dioxide for capture and storage once necessary fiscal, regulatory and infrastructure frameworks are in place.

BUILDING LASTING RELATIONSHIPS

We understand the importance of being a welcomed member of the communities where we operate. By engaging stakeholders early, actively listening and incorporating their feedback into our plans, we create positive and lasting relationships.

We are working with Aboriginal communities in the Wood Buffalo region to understand their perspectives on development and to create employment and business opportunities. Maintaining positive relationships will be key to our ongoing success at Long Lake and in future phases.

TAKING ACTION ON CLIMATE CHANGE

Climate change is a global issue requiring global solutions. Nexen has taken early action by investing in wind power, improving our internal energy efficiency, reducing our emissions and investing in offsets.

WE ARE COMMITTED TO DOING OUR PART IN MOVING TOWARD A LOW-CARBON FUTURE.

We have invested in Alberta wind power, preservation of a Belize forest and emission reduction projects in China, South Korea, Philippines and Argentina. We are also investigating a fuel-switching opportunity in Yemen. Since 1998, we have reduced greenhouse gas emissions by capturing previously vented methane. Volumes from all methane capture projects to the end of 2009 total almost eight million tonnes of CO_2 equivalent. See the Carbon Disclosure Project (www.cdproject.net) for our annual emissions management activities.

Responding to climate change requires informed and constructive conversations. We are active in public policy discussions to promote a fact-based approach to climate change, the oil sands and the role of energy in society. We believe all forms of energy will be required in the future, and responsible development of the oil sands will play an important part.

STRATEGIES IN ACTION

Our Golden Eagle DISCOVERIES are estimated to contain more than 150 MILLION BOE of gross recoverable contingent resource.

In 2009, we BROUGHT ON NEW PRODUCTION at Ettrick in the North Sea and Longhorn in the Gulf of Mexico.

DRILLING SUCCESS at Telford allowed us to DOUBLE PRODUCTION at our North Sea Scott platform.

We see huge value in conventional exploration in key basins. We've made material discoveries in each area: the North Sea, offshore West Africa and the deep-water Gulf of Mexico.

Usan, offshore West Africa, is expected ON STREAM IN 2012, boosting our PRODUCTION BY 36,000 bbls/d.

In the Gulf of Mexico, we have NUMEROUS PROSPECTS identified and TWO DEEP-WATER RIGS SECURED to drill them.

CONVENTIONAL EXPLORATION & DEVELOPMENT

Our conventional exploration and development strategy is to find and develop low-cost, high-quality oil and gas in key basins.

We are focused in three world-class basins: the North Sea, offshore West Africa and the deep-water Gulf of Mexico. Here, we hold significant acreage, good infrastructure exists, and great potential remains.

In 2009, we made another discovery in the Golden Eagle area of the North Sea and are progressing development options. Offshore West Africa, we found oil at Owowo and progressed the Usan development toward 2012 production. In the Gulf of Mexico, our first of two deep-water rigs arrived and is appraising our Knotty Head discovery. We are also drilling in the Eastern Gulf of Mexico at Appomattox, following up on two previous discoveries. All of this provides us with great confidence that our portfolio and strategy are delivering.

In 2010, we expect to drill up to 15 exploration and appraisal wells and move our discoveries toward sanctioning.

CONVENTIONAL EXPLORATION
& DEVELOPMENT

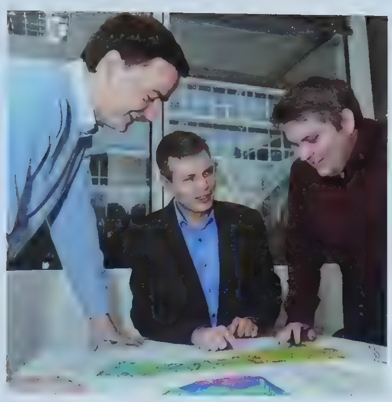
NORTH SEA

In just over five years, we've gone from having no stake in the UK North Sea to being the second largest oil producer there. And we expect to grow even more in the next five to ten years.

Nexen is one of the most active companies in the North Sea. We are enhancing Buzzard, growing Scott/Telford, ramping up Ettrick and have exciting discoveries in the Golden Eagle area that we're eager to develop.

Our UK team has found one billion barrels in the North Sea since they began exploring. And the opportunity to find more is very real.

We can make the big finds, generate significant cash flow and then apply our expertise to repeat our success.



WHAT SETS US APART?

Exploration Success We are finding discoveries that far surpass the average finds of our competitors. First came Buzzard and now the Golden Eagle area. In both cases, the same team of geologists found oil in stratigraphic traps—formations that are very hard to see on seismic. We've spent the past several years working to better understand and identify stratigraphic traps and now we're actively targeting them with great success.

The Golden Eagle area, made up of our Golden Eagle, Pink and Hobby discoveries, is estimated to contain more than 150 million boe of gross recoverable contingent resource. That's significant considering many of our peers are going after 10 to 20 million-barrel targets. Due to its size, Golden Eagle will likely require standalone facilities, and we are aggressively pursuing development options. From a value standpoint, this project is very attractive. It could generate some of the highest netbacks in our company and earn a 10% rate of return at oil prices significantly lower than where they are today.

Equally exciting, we see a lot of remaining potential and are leveraging our success into less mature areas of the North Sea and Norway. In 2010, we also plan to drill the North Uist prospect, west of the Shetland Islands, which has a target size well above typical North Sea targets. In total, we plan to drill up to 10 exploration and appraisal wells in the North Sea in 2010.

In a sea of more than 200 offshore facilities, we have two of the newest. Buzzard is a world-class facility with a strong safety and performance record. And Ettrick, on stream in 2009, is a floating production and storage offloading (FPSO) facility that we are ramping up.

Operating new assets in a mature basin is a huge competitive advantage. We benefit from the UK's attractive fiscal regime and infrastructure with modern assets that operate at low cost. We also upgraded the Scott platform to improve its reliability.

Our UK assets have recently produced at record highs. Buzzard is producing between 200,000 and 220,000 boe/d (86,000 and 95,000 boe/d, net to us) and we expect it to continue producing at these levels into 2014.

At Telford, a new step-out development well in 2009 allowed us to double production from our Scott platform. Scott/Telford has moved from a declining asset to potentially adding significant value through subsea tie-backs. We see additional upside here and expect to conduct follow-up drilling in 2010.

With great assets, a strong exploration team and significant potential remaining, the North Sea is truly a sea of sizeable opportunity—one we are well positioned to capitalize on.

CONVENTIONAL EXPLORATION & DEVELOPMENT

DEEP-WATER GULF OF MEXICO

Nexen is a proven deep-water Gulf of Mexico player. We operate our Aspen field and have production at five non-operated fields. As a top leaseholder, we have acreage that spans more than 200 blocks with over 100 prospects and two undeveloped discoveries.

The deep-water Gulf of Mexico is a proven hydrocarbon basin with an estimated 14 billion boe of yet-to-find reserves. With expanding infrastructure, favourable fiscal terms, a politically stable environment and easy access to the world's largest energy markets, it holds significant value.

Today, we are well positioned in the Gulf with great deep-water prospects that stack up on both a local and global basis.

Brian Reinsborough
Senior VP, United States Oil and Gas

POSITIONED FOR SUCCESS IN THE GULF

We have significantly increased our capacity to execute in the sub-salt deep water.

Talent We brought in talent to enhance our knowledge on the drilling and completions side, as well as the exploration side.

Rig Access We secured two new deep-water rigs and have established long-term partnerships with companies who have rig access.

Inventory Alignment We are focused on material, longer-reserve-life assets and have taken significant positions in the deep waters of both the Central and Eastern Gulf of Mexico.

Embedded Growth We are focused on advancing projects that can deliver near-term value. We brought Longhorn on stream in 2009 and are appraising our Knotty Head discovery to prove commerciality.

OUR PROGRESS

Results from Knotty Head are expected in the second quarter of 2010. We are also continuing exploration activities at Appomattox in the highly prospective Eastern Gulf of Mexico, with a sidetrack well to further evaluate this prospect.

The second contracted rig is expected to arrive later in 2010, which will allow us to start drilling more of our identified prospects. We plan to drill up to four exploration wells in 2010. We are excited to have both the talent and the rigs to move these prospects forward.

OFFSHORE WEST AFRICA

Our portfolio offshore Nigeria is positioning itself as a large legacy asset for us. We have the Usan development project under way, a recent discovery at Owowo and very exciting exploration prospects that we are eager to drill. As well, we have a large contiguous acreage position in the area and are partnered with leading energy companies that have extensive experience operating in deep-water West Africa.

Usan is progressing and on track for first production in 2012. Development includes a FPSO with the ability to process 180,000 bbls/d (36,000 bbls/d, net to us) and store up to two million barrels of oil. In 2010, we expect to complete fabrication of the FPSO hull and most of the topsides. We will also continue fabrication of subsea components, development drilling and well completion activities.

On the exploration front, our new 3-D seismic is yielding high-quality prospects and results. We drilled our first well from this analysis and found oil at Owowo on Block OPL-223, 20 kilometres east of Usan. The well reached a total depth of 2,227 metres and discovered several oil-bearing reservoirs. Success at Owowo adds confidence to our follow-up prospects, which we hope to test soon.

Offshore West Africa is a great example of the patience required in this industry. Usan will have spanned more than a decade from discovery to first oil. But the value is there. And with exciting exploration success unfolding, the opportunity to add more value is real.

STRATEGIES IN ACTION

As conventional reserves decline, unconventional plays like shale gas gain attention. We moved into the Horn River Basin early, establishing an inexpensive and enviable position in the heart of it.

We expect to earn a 10% RATE OF RETURN with gas prices in the US$5 to $6/mcf range.

Our goal is to ADD 50 mmcf/d OF INITIAL PRODUCTION in early 2011, followed by another 100 mmcf/d from an 18-well pad.

Horn River provides long land tenure, and we have MORE THAN A DECADE to evaluate and develop our acreage.

Horizontal drilling and multi-well pads REDUCE OUR ENVIRONMENTAL FOOTPRINT.

We are PART OF THE HORN RIVER BASIN PRODUCERS GROUP, which shares roads and other infrastructure to minimize land disturbance.

UNCONVENTIONAL GAS

Our shale gas strategy is to drive down costs and grow our returns so we can economically and responsibly produce this vast resource.

While we weren't looking at shale gas five years ago, today we have captured significant resource potential—enough to double our current proved reserves—in the heart of one of North America's best shale gas plays. We are improving productivity and driving down costs as we improve equipment utilization, drill longer wells and initiate more fracs per well.

Shale gas can be brought on quickly, fuels our short-term growth and complements the larger projects in our portfolio.

In 2009, we delivered an industry-leading frac pace while achieving 100% frac success. In 2010, we are drilling an 8-well pad, which sets us up for an 18-well pad. With our rapid progress, we are well on our way to making this play a success.

UNCONVENTIONAL GAS

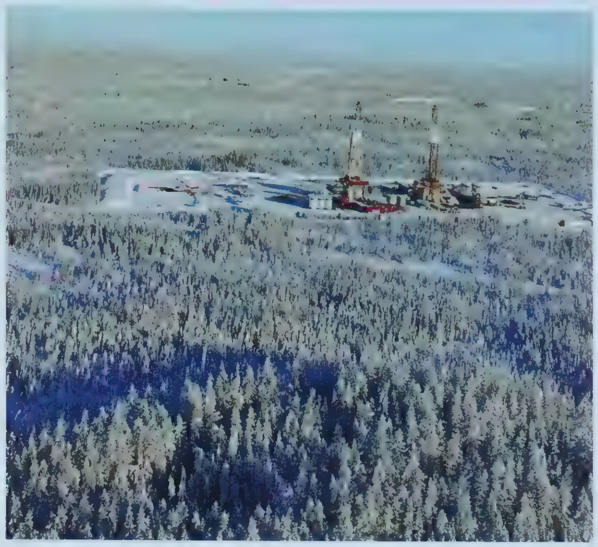
SHALE GAS

Shale gas is a game changer for North American natural gas. Recognizing this early on, we acquired a large land position in the Horn River Basin of northeast British Columbia at pennies per mcf.

Now we are developing our vast resource in small capital investments where we control the pace of development.

The Horn River Basin is one of the highest-quality plays in North America. It fracs easily and has good well deliverability. It also has thick shales, meaning there is more gas to produce.

The land tenure system is also attractive. We have met the requirements to maintain tenure on most of our land for at least ten years. Also, we have a single landlord, the BC government, rather than hundreds of freehold landowners like in the United States. Combine these advantages, and we truly are in the heart of a great play.



BUILDING IT RIGHT FROM THE START

Horn River is in a remote location with limited infrastructure, marshy terrain and severe winter conditions. As we advance this strategy, responsible development is again a key part of our planning and decision-making.

Nexen has teamed up with 10 companies to form the Horn River Basin Producers Group. Together with First Nations and governments, we coordinate development, reduce environmental impacts and generate local economic benefits.

The Producers Group's collaborative approach at early stages of development has helped identify opportunities to reduce impacts on the boreal forest. For instance, Nexen and two other companies built a shared roadway rather than multiple roads. The roadway will also serve as a pipeline corridor, further reducing the amount of forest clearing required.

Area operators are stepping up efforts to use local labour and services. The Producers Group hosted Energy Expos to bring together local workers and businesses with producers and contractors. Nexen also opened a storefront office in 2009 for direct contact with businesses and residents.

Technology is again playing a role in managing our environmental footprint. Horizontal drilling and multi-well pads reduce the amount of boreal forest that is disturbed. Fracturing takes place well below the water table, meaning the potential for any impacts is very low. The use and disposal of chemicals in drilling and fracturing are strictly regulated to protect freshwater sources.

DRIVING DOWN COSTS

In 2009, we drove down our drilling and completion costs, improved our productivity and are producing at well rates in line with regional producers. We maintained an industry-leading frac pace of 26 fracs in 15 days while achieving 100% frac success.

In 2010, our 8-well pad will have longer horizontal wells with more fracs. We expect to add about 50 mmcf/d of initial production in early 2011. The future drilling of an 18-well pad could add 100 mmcf/d of initial production after that.

ACCESSING THIS TIGHT GAS

Shale gas is natural gas trapped in small spaces of shale rock formations. Its vast potential has been known for some time, but accessing it was a challenge.

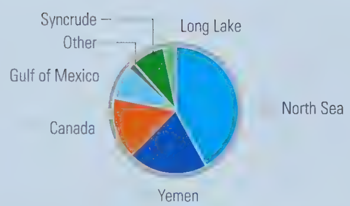
Today, horizontal drilling and fracturing technologies are solving that. Horizontal wells allow for more contact with the reservoir. During fracturing, high-pressure water is injected into the wells to crack the rock, creating pathways for the gas to flow. Sand is used to "prop open the rock" and the injected water is produced first, followed by the gas.

"Without fracturing the formation, it typically would take one year for gas within one metre of our wellbore to be produced," says Gary Nieuwenburg, Nexen's Executive Vice President, Canada. "The more fracs we create, the better our opportunity to produce this gas."

2009 RESULTS

Over the last three years, our production after royalties has grown at a compounded average rate of over 10%.

(mboe/d)

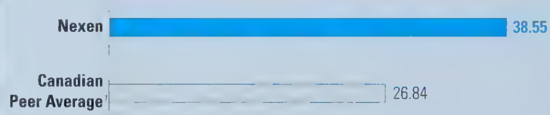


We are growing in areas where we can deliver high-value production and pursue opportunities for sustainable growth. In 2009, we added volumes in the North Sea, Gulf of Mexico and at Long Lake.

INDUSTRY-LEADING NETBACKS

2009 Cash Netbacks $38.55/boe

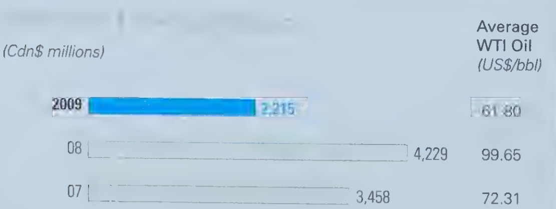
(Cdn$/boe)



1 Source: First Energy Capital

With high-margin, low-royalty production, our cash netbacks are industry-leading. We generate more value per barrel, which drives our cash flow and returns.

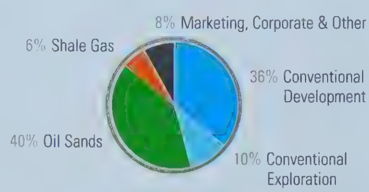
(Cdn$ millions)



In 2009, strong netbacks delivered solid cash flow, despite lower commodity prices. We used hedges to protect our downside price risk, while staying positioned to reap the upside, as we did in 2007 and 2008.

CAPITAL FOCUSED ON STRATEGIES

2009 Capital $3.5 billion



Our 2009 capital delivered exciting drilling success in the North Sea and offshore West Africa, advancement of our Usan development, rapid shale gas progress, the acquisition of additional working interest at Long Lake and much more.

2010 & BEYOND

> Our financial position is strong. Our 2010 capital program is self-funded at $US70/bbl WTI. We have $3.3 billion in available liquidity and an average term-to-maturity on our [illegible] of 17 years

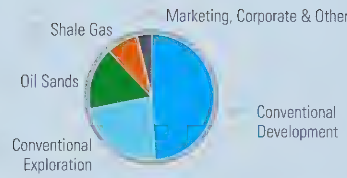
2010 ESTIMATED [illegible]

4 to 6% Growth E[illegible]

(mboe/d)	Before Royalties	After Royalties
North Sea	100–130	100–130
Canada	28–34	19–25
Long Lake Bitumen	20–30	18–28
Syncrude	19–24	18–23
Gulf of Mexico	20–28	17–25
Yemen	32–37	19–23
Other Countries	1–2	1–2
Total	**230–280**	**200–250**

With our 2009 production additions, we expect 2010 volumes to grow around 4 to 6% at the mid-point of our range. The high-end could deliver 15% growth, assuming a strong Long Lake ramp-up and a 2011 start-up of the fourth platform at Buzzard.

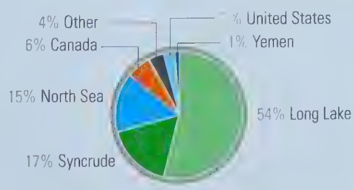
[illegible]



In 2010, we plan to invest primarily in the Usan development, Golden Eagle area, the fourth Buzzard platform, oil sands and shale gas. We'll also drill up to 15 exploration and appraisal wells, primarily in the North Sea and Gulf of Mexico.

HIGH-QUALITY RESER[illegible]

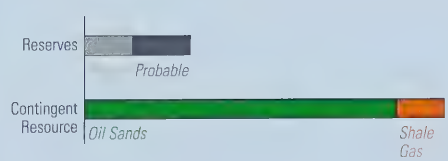
2009 Proved + Probable Rese[illegible]



1 Reserves at December 31, 2009 represent our working interest before royalties using SEC rules and average 2009 prices held constant.

In 2009, our 184 million boe in proved reserve additions replaced over 200% of our production. Our combined proved plus probable reserves of 2.2 billion boe represent a 25-year reserve life, yet still don't include some of our discoveries, shale gas or future oil sands beyond Phases 1 and 2.

[illegible]



Our portfolio, estimated at almost 10 billion boe, supports a great future. In addition to our proved and probable reserves, we have significant contingent resource in the oil sands and shale gas. Our exciting discoveries and exploration prospects add to this.

PERFORMANCE REVIEW

(Cdn$ millions, except as noted)	2009	2008	2007	2006	2005
Highlights					
Average WTI Oil Price (US$/bbl)	61.80	99.65	72.31	66.22	56.58
Net Sales [1]	4,895	7,424	5,583	3,936	3,932
Cash Flow from Operations [2,3]	2,215	4,229	3,458	2,669	2,403
Per Common Share ($/share)	4.25	8.04	6.56	5.09	4.62
Net Income	536	1,715	1,086	601	1,140
Per Common Share ($/share)	1.03	3.26	2.06	1.15	2.19
Capital Expenditures, Including Acquisitions	3,497	3,066	3,401	3,408	2,638
Dispositions	17	6	4	27	911
Production [4,5]					
Production Before Royalties (mboe/d)	243	250	254	212	242
Production After Royalties (mboe/d)	213	210	207	156	173
Financial Position					
Working Capital	2,398	2,503	412	476	29
Property, Plant and Equipment, Net	15,492	14,922	12,498	11,739	9,594
Total Assets	22,900	22,155	18,075	17,156	14,590
Net Debt [6]	5,551	4,575	4,404	4,730	3,639
Long-Term Debt	7,251	6,578	4,610	4,673	3,687
Equity [7]	7,646	7,191	5,610	4,636	3,996
Shares and Dividends					
Common Shares Outstanding (millions)	522.9	519.4	528.3	525.0	522.2
Number of Registered Common Shareholders	1,725	1,624	1,569	1,454	1,294
Closing Common Share Price (TSX) (Cdn$/share)	25.22	21.45	32.10	32.10	27.71
Dividends Declared per Common Share (Cdn$/share)	0.20	0.175	0.10	0.10	0.10
Cash Flow from Operations [2,3]					
Oil and Gas					
United Kingdom	2,159	3,308	2,101	477	284
Canada	130	389	179	229	397
Syncrude	192	400	319	240	223
United States	140	508	480	573	667
Yemen [8]	345	638	664	877	929
Other Countries	31	133	87	94	48
	2,997	5,376	3,830	2,490	2,548
Marketing	256	(356)	73	432	138
Chemicals	102	85	90	83	95
	3,355	5,105	3,993	3,005	2,781
Interest and Other Corporate Items	(512)	(292)	(350)	(254)	(335)
Income Taxes	(628)	(584)	(185)	(82)	(43)
Total Cash Flow from Operations	2,215	4,229	3,458	2,669	2,403

1 Represents net sales from continuing operations.
2 Cash flow from operations is defined as cash generated from operating activities before changes in non-cash working capital and other.
3 For reconciliation of this non-GAAP measure, please see our year-end press release dated February 18, 2010.
4 Production is Nexen's working interest share and includes our share of production from Syncrude.
5 Natural gas is converted at 6 mcf per equivalent barrel of oil.
6 Net debt is defined as long-term debt and short-term borrowings less cash and cash equivalents.
7 Effective 2008, Canexus non-controlling interests are included in Equity.
8 Includes in-country cash taxes in Yemen.

	2009	2008	2007	2006	2005
Production Before Royalties					
Crude Oil and NGLs (mbbls/d)					
United Kingdom	98.0	99.7	81.2	16.9	12.6
Canada	14.6	16.2	17.1	20.0	29.2
Long Lake Bitumen	7.9	3.9	–	–	–
Syncrude	20.2	20.9	22.1	18.7	15.5
United States	10.5	9.3	16.4	17.0	22.2
Yemen	49.9	56.6	71.6	92.9	112.7
Other Countries	3.5	5.8	6.2	6.3	5.6
	204.6	212.4	214.6	171.8	197.8
Natural Gas (mmcf/d)					
United Kingdom	24	18	16	20	23
Canada	139	131	118	108	124
United States	65	78	101	111	116
	228	227	235	239	263
Total Production Before Royalties (mboe/d)	243	250	254	212	242
Production After Royalties					
Crude Oil and NGLs (mbbls/d)					
United Kingdom	98.0	99.7	81.2	16.9	12.6
Canada	11.4	12.3	13.4	15.8	22.6
Long Lake Bitumen	7.9	3.9	–	–	–
Syncrude	18.6	18.2	18.8	16.9	15.3
United States	9.5	8.1	14.5	15.0	19.6
Yemen	29.8	30.6	39.8	51.8	60.6
Other Countries	3.2	5.3	5.7	5.7	5.1
	178.4	178.1	173.4	122.1	135.8
Natural Gas (mmcf/d)					
United Kingdom	24	18	16	20	23
Canada	128	109	98	91	101
United States	57	66	86	94	99
	209	193	200	205	223
Total Production After Royalties (mboe/d)	213	210	207	156	173
Oil and Gas Cash Netback Before Royalties[1] ($/boe)					
Producing Assets					
United Kingdom	59.06	87.70	67.85	55.53	42.93
Canada	16.07	32.97	20.07	22.87	25.46
Syncrude	29.00	53.83	41.94	37.86	43.34
United States	28.80	56.42	42.28	40.42	45.85
Yemen	20.55	31.11	25.52	26.35	22.56
Other Countries	48.50	86.58	61.94	57.71	49.18
Company-Wide Oil and Gas	38.55	60.64	43.22	32.75	30.57

1 *Defined as average sales price less royalties and other, operating costs and Yemen in-country taxes. Calculation details can be found in the Statistical Supplement on our website.*

RESERVES

In 2009, our proved reserve additions were more than 200% of our production.

Investing $2.8 billion in oil and gas activities, we added 184 million boe of proved and 349 million boe of probable reserves. Our conventional finding and development costs are the best in seven years, yet exclude our successes in the Golden Eagle area, at Owowo, Vicksburg and Knotty Head.

On the unconventional side, we have booked proved and probable reserves for Phase 1 of Long Lake and probable reserves for Phase 2. Yet, we have enough resource potential to develop many more phases. And we haven't booked any reserves for shale gas. So while our 2.2 billion boe of proved plus probable reserves represent a reserves life index of almost 25 years, there is a lot more to come.

2009 RESERVES CONTINUITY

									Canada		
	North Sea		Yemen	Other Intl	United States		Other		Long Lake	Syncrude	Total
(mmboe)	Oil	Gas	Oil	Oil	Oil	Gas	Oil	Gas	Bitumen/ Synthetic[2]	Synthetic	Oil and Gas
Proved Reserves[1]											
Dec. 31, 2008	172	3	31	34	20	29	26	64	285	324	988
Extensions and Discoveries	19	1	–	8	1	2	1	3	25	7	67
Acquisitions[2]	–	–	–	–	–	–	–	–	86	–	86
Revisions	14	–	12	2	5	1	15	(14)	(4)	–	31
Net Additions	33	1	12	10	6	3	16	(11)	107	7	184
Production	(36)	(1)	(20)	(1)	(4)	(4)	(5)	(9)	(3)	(7)	(90)
	169	3	23	43	22	28	37	44	389	324	1,082
SEC Rule Transition[3]											
Current Year	–	–	–	–	–	–	–	–	(18)	–	(18)
Prior Years	–	–	–	–	–	–	–	–	(53)	–	(53)
Dec. 31, 2009	**169**	**3**	**23**	**43**	**22**	**28**	**37**	**44**	**318**	**324**	**1,011**
Probable Reserves[1]											
Dec. 31, 2008	132	4	13	61	8	16	13	23	732	46	**1,048**
Extensions, Discoveries and Conversions	24	6	(7)	(4)	(1)	2	7	–	152	–	179
Acquisitions[2]	–	–	–	–	–	–	–	–	220	–	220
Revisions	3	–	(2)	(12)	–	(1)	7	(9)	(36)	–	(50)
Net Additions	27	6	(9)	(16)	(1)	1	14	(9)	336	–	349
	159	10	4	45	7	17	27	14	1,068	46	1,397
SEC Rule Transition[3]											
Current Year	–	–	–	–	–	–	–	–	(41)	–	(41)
Prior Years	–	–	–	–	–	–	–	–	(139)	–	(139)
Dec. 31, 2009	**159**	**10**	**4**	**45**	**7**	**17**	**27**	**14**	**888**	**46**	**1,217**
Proved + Probable Reserves[1]											
Dec. 31, 2008	304	7	44	95	28	45	39	87	1,017	370	2,036
Extensions, Discoveries and Conversions	43	7	(7)	4	–	4	8	3	177	7	246
Acquisitions[2]	–	–	–	–	–	–	–	–	306	–	306
Revisions	17	–	10	(10)	5	–	22	(23)	(40)	–	(19)
Net Additions	60	7	3	(6)	5	4	30	(20)	443	7	533
Production	(36)	(1)	(20)	(1)	(4)	(4)	(5)	(9)	(3)	(7)	(90)
	328	13	27	88	29	45	64	58	1,457	370	2,479
SEC Rule Transition[3]											
Current Year	–	–	–	–	–	–	–	–	(59)	–	(59)
Prior Years	–	–	–	–	–	–	–	–	(192)	–	(192)
Dec. 31, 2009	**328**	**13**	**27**	**88**	**29**	**45**	**64**	**58**	**1,206**	**370**	**2,228**

1 *We internally estimate all of our reserves and have at least 80% of our proved and probable reserves assessed by independent qualified consultants each year; 98% of each were assessed this year. Our reserves are also reviewed and approved by our Board of Directors. Reserves represent our working interest before royalties using SEC rules and average 2009 prices held constant. Gas is converted to equivalent oil at a 6:1 ratio.*

2 *Reflects acquisition of additional 15% interest in Long Lake from our partner.*

3 *Reflects adoption of new SEC rules at December 31, 2009 which resulted in Long Lake reserves being disclosed as synthetic rather than bitumen barrels; shrinkage reflects internal fuel.*

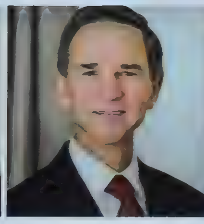
BOARD OF DIRECTORS

Francis M. Saville, Q.C.

Board Chair of Nexen

Marvin F. Romanow

President and CEO of Nexen

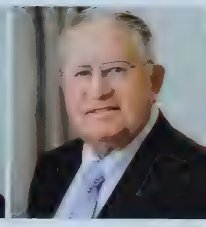


William B. Berry

Former oil and gas executive

Robert G. Bertram

Former pension investment executive

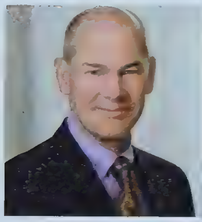


Dennis G. Flanagan

Former oil and gas executive

S. Barry Jackson

Former oil and gas executive



Kevin J. Jenkins

President and CEO of World Vision International

A. Anne McLellan, P.C., O.C.

Counsel with Bennett Jones LLP, Barristers and Solicitors

Eric P. Newell, O.C.

Former Chair and CEO of Syncrude Canada Ltd

Thomas C. O'Neill

Former Chair of PwC Consulting

John M. Willson

Former mining executive

Victor J. Zaleschuk

Former oil and gas executive

Good governance fosters better decision-making. Our experienced board guides management in making the best choices for responsibly creating long-term shareholder value.

GOVERNANCE HIGHLIGHTS

We continually review and update our governance and disclosure practices so that they are of the highest standard and comply with all applicable requirements. We comply 100% with all Canadian, US, TSX and NYSE requirements and guidelines.

- 100% of our non-executive directors, including our board chair, are independent under Canadian and US requirements.
- Attendance at board meetings is virtually 100%, reflecting our directors' commitment and involvement.
- Our board is chosen based on the skill set needed to successfully guide Nexen's strategy and global businesses.
- A skills matrix and an annual board evaluation ensure our board composition is appropriate, essential areas of expertise are represented, and a culture of continuous improvement in governance is maintained through candid board feedback.
- All new directors go through an extensive orientation, and all directors engage in continuing education relevant to Nexen's success.
- All directors and management meet the required share ownership guidelines, reflecting their vested interest in our success.

EXECUTIVE MANAGEMENT

Marvin F. Romanow

President and Chief Executive Officer

Kevin J. Reinhart

Senior Vice President and Chief Financial Officer

Gary H. Nieuwenburg

Executive Vice President, Canada

Brian C. Reinsborough

Senior Vice President, United States Oil and Gas

James T. Arnold

Senior Vice President, Synthetic Crude

Kevin J. McLachlan

Vice President, Global Exploration

Catherine J. Hughes

Vice President, Operational Services, Technology and Human Resources

Una M. Power

Vice President, Corporate Planning and Business Development

Robert J. Black

Vice President, Energy Marketing

Kim D. McKenzie

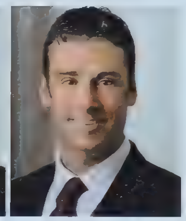
Vice President and Chief Information Officer

Eric B. Miller

Vice President, General Counsel and Secretary

Brendon T. Muller

Controller



J. Michael Backus

Treasurer

- Compensation for directors and management is linked to Nexen's strategic business objectives, which focus on increasing shareholder returns.
- Our board and management are committed to nurturing a culture of good business ethics and corporate governance. *How We Work: Our Integrity Guide* defines our values and guides employees to make ethical, value-enhancing choices. It also serves as our ethics policy, which employees express compliance with annually.
- We are open to receive and address any integrity-related concerns that come through our anonymous Integrity Helpline.
- Our Governance Roadshow is a successful tool in engaging shareholder and other stakeholder feedback.

2009 GOVERNANCE RECOGNITION AND AWARDS

Award of Excellence in Corporate Governance Disclosure from the Canadian Institute of Chartered Accountants

A 10 out of 10 ranking from GovernanceMetrics International

Recognition from the Canadian Coalition for Good Governance for new best practices in shareholder communication and compensation disclosure

Ranked 8th, scoring 86 out of 100, in the *Report on Business* corporate governance rankings

CORPORATE INFORMATION

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F 403.699.5800
www.nexeninc.com

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T 403.699.4688

Pierre Alvarez
Vice President, Corporate Relations
pierre_alvarez@nexeninc.com
T 403.699.5560

EARNINGS RELEASE DATES

Q1 – April 27, 2010
Q2 – July 15, 2010
Q3 – October 28, 2010
Q4 – February 17, 2011

Chair of the Board

President and Chief Executive Officer

Senior Vice President
and Chief Financial Officer

Executive Vice President, Canada

Senior Vice President,
Synthetic Crude

Senior Vice President,
United States Oil and Gas

Vice President, Operational Services,
Technology and Human Resources

Vice President
and Chief Information Officer

Vice President,
Global Exploration

Vice President,
General Counsel and Secretary

Vice President,
Corporate Planning and
Business Development

Treasurer

Controller

Assistant Secretary

Assistant Secretary

11:00 a.m. M.D.T.
Tuesday, April 27, 2010
The Fairmont Palliser Hotel
133 – 9th Avenue SW
Calgary, Alberta, Canada

TSX and NYSE

7.35% Subordinated Notes
TSX—NXY.PR.U
NYSE—NXYPRB

Common Share
Transfer Agent and Registrars
CIBC Mellon Trust Company
Calgary, Toronto, Montreal
and Vancouver, Canada
BNY Mellon Shareowner Services
Jersey City, New Jersey, US

Dividend Reinvestment Plan
The offering circular (and for US residents,
a prospectus) and authorization form
may be obtained by calling CIBC Mellon Trust
Company at 1.800.387.0825 or at
www.cibcmellon.com

Auditors
Deloitte & Touche LLP
Calgary, Alberta, Canada

Conversions
Natural gas is converted at 6 mcf
per equivalent barrel of oil.

Dollar Amounts
In Canadian dollars
unless otherwise stated.

Significant Operating Entities
Nexen Petroleum U.K. Limited
Nexen Petroleum U.S.A. Inc.
Nexen Marketing
Nexen Exploration Norge AS
Nexen Petroleum Nigeria Limited
Canadian Nexen Petroleum Yemen

FORWARD-LOOKING STATEMENTS

Certain statements in this report constitute "forward-looking statements" (within the meaning of the *United States Private Securities Litigation Reform Act of 1995)* or "forward-looking information" (within the meaning of applicable Canadian securities legislation). Such statements or information (together "forward-looking statements") are generally identifiable by the forward-looking terminology used such as "anticipate", "believe", "intend", "plan", "expect", "estimate", "budget", "outlook", "forecast" or other similar words and include statements relating to or associated with individual wells, regions or projects. Any statements as to possible future crude oil, natural gas or chemicals prices, future production levels, future capital expenditures and their allocation to exploration and development activities, future earnings, future asset acquisitions or dispositions, future sources of funding for our capital program, future debt levels, availability of committed credit facilities, possible commerciality, development plans or capacity expansions, future ability to execute dispositions of assets or businesses, future sources of liquidity, cash flows and their uses, future drilling of new wells, ultimate recoverability of current and long-term assets, ultimate recoverability of reserves or resources, expected finding and development costs, expected operating costs, future cost recovery oil revenues from our Yemen operations, future demand for chemicals products, estimates on a per share basis, future foreign currency exchange rates, future expenditures and future allowances relating to environmental matters and dates by which certain areas will be developed, come on stream or reach expected operating capacity and changes in any of the foregoing are forward-looking statements. Statements relating to "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others: market prices for oil and gas and chemicals products; our ability to explore, develop, produce, upgrade and transport crude oil and natural gas to markets; ultimate effectiveness of design or design modifications to facilities; the results of exploration and development drilling and related activities; volatility in energy trading markets; foreign-currency exchange rates; economic conditions in the countries and regions in which we carry on business; governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations; renegotiations of contracts; results of litigation, arbitration or regulatory proceedings; and political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict, including conflict between states. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on our assessment of all information at that time.

Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements. Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, Nexen undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement. Readers should also refer to Items 1A and 7A in our Annual Report on Form 10-K for further discussion of the risk factors.

CAUTIONARY NOTE TO US INVESTORS In this report, we may refer to "recoverable reserves", "recoverable resources" and "recoverable contingent resources", which are inherently more uncertain than proved reserves or probable reserves. These terms are not used in our filings with the SEC. Our reserves and related performance measures represent our working interest before royalties, unless otherwise indicated. Please refer to our Annual Report on Form 10-K available from us or the SEC for further reserve disclosure.

CAUTIONARY NOTE TO CANADIAN INVESTORS Nexen is an SEC registrant and a voluntary Form 10-K (and related forms) filer. Therefore, our reserves estimates and securities regulatory disclosures follow SEC requirements. In Canada, *National Instrument 51-101—Standards of Disclosure for Oil and Gas Activities* (NI 51-101) prescribes that Canadian companies follow certain standards for the preparation and disclosure of reserves and related information. Nexen's reserves disclosures are made in reliance upon exemptions granted to it by Canadian securities regulators from certain requirements of NI 51-101, which permits us to:

- prepare our reserves estimates and related disclosures in accordance with SEC disclosure requirements, generally accepted industry practices in the US and the *Canadian Oil and Gas Evaluation Handbook* (COGE Handbook) standards modified to reflect SEC requirements;
- substitute those SEC disclosures for much of the annual disclosure required by NI 51-101; and
- rely upon internally generated reserves estimates and the Standardized Measure of Discounted Future Net Cash Flows and Changes Therein, included in the Supplementary Financial Information, without the requirement to have those estimates evaluated or audited by independent qualified reserves consultants.

As a result of these exemptions, Nexen's disclosures may differ from other Canadian companies and Canadian investors should note the following fundamental differences in reserves estimates and related disclosures contained in the Form 10-K:

- SEC registrants apply SEC reserves definitions and prepare their reserves estimates in accordance with SEC requirements and generally accepted industry practices in the US whereas NI 51-101 requires adherence to the definitions and standards promulgated by the COGE Handbook;
- the SEC's technical rules in estimating reserves differ from NI 51-101 in areas such as the use of reliable technology, aerial extent around a drilled location, quantities below the lowest known oil and quantities across an undrilled fault block;
- the SEC mandates disclosure of proved reserves and the Standardized Measure of Discounted Future Net Cash Flows and Changes Therein calculated using the year's 12-month average prices and costs only, whereas NI 51-101 requires disclosure of reserves and related future net revenues using forecast prices;
- the SEC mandates disclosure of reserves by geographic area only whereas NI 51-101 requires disclosure of more reserve categories and product types;
- the SEC prescribes certain information about proved and probable undeveloped reserves and future developments costs whereas NI 51-101 requirements are different;
- the SEC does not require disclosure of finding and development (F&D) costs per boe of proved reserves additions whereas NI 51-101 requires that various F&D costs per boe and additional information be disclosed;
- the SEC leaves the engagement of independent qualified reserves consultants to the discretion of a company's board of directors whereas NI 51-101 requires issuers to engage such evaluators;
- the SEC does not allow proved and probable reserves to be aggregated whereas NI 51-101 requires issuers disclose such; and
- the reserves disclosures in this document have not been reviewed by the independent qualified reserves consultants whereas NI 51-101 requires them to review it.

The foregoing is a general description of the principal differences only. The differences between SEC requirements and NI 51-101 may be material.

NI 51-101 REQUIRES THAT WE MAKE THE FOLLOWING DISCLOSURES:

- we use oil equivalents (boe) to express quantities of natural gas and crude oil in a common unit. A conversion ratio of 6 mcf of natural gas to 1 barrel of oil is used. Boe may be misleading, particularly if used in isolation. The conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead; and
- because reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. Variations as a result of future events are expected to be consistent with the fact that reserves are categorized according to the probability of their recovery.

RESOURCES Nexen's estimates of contingent resources are based on definitions set out in the COGE Handbook, which generally describe contingent resources as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Such contingencies may include, but are not limited to, factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. Specific contingencies precluding these contingent resources being classified as reserves include but are not limited to: future drilling program results, drilling and completions optimization, stakeholder and regulatory approval of future drilling and infrastructure plans, access to required infrastructure, economic fiscal terms, a lower level of delineation, the absence of regulatory approvals, detailed design estimates and near-term development plans, and general uncertainties associated with this early stage of evaluation. The estimated range of contingent resources reflects conservative and optimistic likelihoods of recovery. However, there is no certainty that it will be commercially viable to produce any portion of these contingent resources.

Nexen's estimates of discovered resources (equivalent to discovered petroleum initially-in-place) are based on definitions set out in the COGE Handbook, which generally describe discovered resources as those quantities of petroleum estimated, as of a given date, to be contained in known accumulations prior to production. Discovered resources do not represent recoverable volumes. We disclose additional information regarding resource estimates in accordance with NI 51-101. These disclosures can be found on our website and on SEDAR.

CAUTIONARY STATEMENT In the case of discovered resources or a subcategory of discovered resources other than reserves, there is no certainty that it will be commercially viable to produce any portion of the resources. In the case of undiscovered resources or a subcategory of undiscovered resources, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

AWARDS AND RECOGNITION

We are proud of the awards and recognition we receive. They help us benchmark to companies within our industry and abroad, confirming what we do well and where we can improve. Most important, they reflect what we value—experienced and energized talent, high-quality disclosure, sound governance, strong community consultation, environmental stewardship and efficient supply management.

Top 50 Employers in Canada Award
from Hewitt Associates and the *Globe and Mail Report on Business* magazine

Canada's Top 100 Employers
from MediaCorp Canada for Best Employer for New Canadians and Best Diversity Employer

Best Companies to Work For
from the *Sunday Times* (UK)
Nexen UK division ranked 84 out of 994

Corporate Reporting Award of Excellence
from the Canadian Institute of Chartered Accountants (CICA) for top governance disclosure across all sectors

Corporate Reporting Award of Excellence
from the CICA for top financial, governance, electronic and sustainability disclosures in oil and gas

Best Annual Report Financial Disclosure
from *Oilweek Magazine*/ATB Financial for best financial statements and analysis in senior oil and gas

Best Sustainability Report
from *Oilweek Magazine*/ATB Financial for top Sustainability Report overall

Corporate Governance 10 out of 10 global ranking
from GovernanceMetrics International for governance disclosures and practices

Report on Business Corporate Governance
ranked 8th, scoring 86 out of 100

Global 100 Most Sustainable Corporations
from *Corporate Knights* magazine

Top 50 Corporate Citizens in Canada
from *Corporate Knights* magazine

CAPP Stewardship Award
from the Canadian Association of Petroleum Producers (CAPP) for outstanding Balzac/Crossfield public consultation program

CAPP Stewardship Award
from CAPP for the collaborative multi-stakeholder approach by the Horn River Basin Producers Group

Gold Level Compliance Designation
from Oil and Gas UK for compliance on the UK Division's Supply Chain Code of Practice

Magnum Opus Award
Honorable Mention from McMurry Communications and Missouri School of Journalism for best environmental articles in our employee magazine

For additional information on Nexen, please refer to our Sustainability Report, Management Proxy Circular or Statistical Supplement. These reports are available in the investor toolkit at www.nexeninc.com/investors and hard copies can be ordered online or by calling 403.699.4354.

Design: Karo Group   Printed in Canada by Rhino Print Solutions

The paper stock used for this annual report (Opus) contains 20-30% Post Consumer Waste. 100% of the electricity used to manufacture this stock is Green-e certified renewable energy. It is manufactured at one of the lowest carbon footprint mills in the industry and is FSC (Forest Stewardship Council) and SFI (Sustainable Forestry Initiative) Chain of Custody certified and Lacey Act compliant.

Opus is transported from mill to market under the U.S. Environmental Protection Agency's SmartWay Transport Partnership. The goal of SmartWay is to cut carbon dioxide emissions by 33-36 million metric tons, and nitrogen dioxide emissions by up to 200,000 tons per year by 2012. This is the equivalent of 12 million cars removed from the road each year.

FSC Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. SW-COC-001659
© 1996 Forest Stewardship Council
29%

Please help us preserve our planet. If you choose not to keep this book, please place it in a recycling bin. Thank you.

nexen

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